

Cardiff Metropolitan University response to the Senedd Economy, Trade and Rural Affairs Committee inquiry into post-EU regional development funding

- i. EU regional development funding was essential for Welsh universities, but the replacements pose specific problems. Structural funding for 2017–24 is worth £20.5m to Cardiff Met, but we expect any projects via the Shared Prosperity Fund (SPF) to be valued at less than £100k.¹² With the removal of structural funds, current streams are insufficient to maintain previous RD&I spending (Wales was already at or near the bottom for UK nations and English regions).³ The lower level of public-funded RD&I in Wales is a particular issue.⁴
- ii. It is disappointing that the importance of structural funds to Welsh universities was not realised until March 2023.⁵ More positively, the minister concerned promised on-the-record to look “to ensure, wherever possible, continuity or even enhanced funding” via alternative streams.⁶ Should the committee get the opportunity to scrutinise UK ministers and/or issue calls to the UK Government, we ask for another on-the-record commitment and an update on progress since the promise was made.
- iii. The Welsh Government’s innovation strategy stressed that the “loss of [EU] RD&I funding is real” but that “bemoaning the fact is not productive”.⁷ The aim now is to win a greater share of UK-wide, competitive funding sources. This will be a significant change and we ask the Welsh Government to use its powers to support the transition away from EU funding for RD&I by:
 - increasing HEFCW’s budget to allow necessary uplifts to devolved RD&I streams;
 - clarifying practical measures, *especially funding*, to support the innovation strategy and the capture of more UK-wide funding;
 - communicating how it is engaging with UK Government on the latter’s commitment to increase public RD&I spending by 40% outside of London and the Greater Southeast of England, and *how the policy is being monitored with real time data*;
 - passing on the Barnett consequential, at pace, to Welsh research if the UK Government opts for the Horizon ‘plan B’ and increases research funding in England; and
 - updating the committee on whether it has sought input into the new UK target for RD&I spending and how it might be best framed for Wales.

1. How effective were EU Structural Funds at transforming the Welsh economy?

- 1.1 Perspective is needed on the scale of the challenge. For example, efforts to close gaps between the former East and West Germany cost c. £71bn per year between 1990 and 2014, narrowing the productivity gap but not closing it entirely.^{8,9} Structural funds were not available at that scale, nor could they transform the Welsh economy entirely, but they were still a vital means of utilising Welsh universities’ strengths across RD&I, skills and business support.
- 1.2 The Welsh Government’s analysis of structural funds pointed to improved RD&I income, job creation, private investment and products brought to market.¹⁰ Its tracking of performance indicators showed strong progress for RD&I targets, albeit with Brexit and the COVID-19 pandemic throwing progress off course.^{11, 12}
- 1.3 Figures from the Welsh European Funding Office (WEFO) show Welsh universities as the lead beneficiaries of projects worth c. £310m via the 2014–20 structural funds.¹³ Cardiff Met’s income from structural funds between 2017 and 2024 will be £20.5m, while we expect any replacement projects via the SPF to be worth less than £100k over several years.¹⁴
- 1.4 EU structural funds were ‘additional’ and “not [to] replace existing national funding but [...] supplement it”.¹⁵ Structural funds were not to paper over cracks or be the primary funder of core national functions. Structural fund usage for the UK might not have satisfied the condition of additionality.¹⁶ For universities and RD&I, the committee should consider how much the governments adhered to the instruction not to ‘crowd out’ national investments.

2. **Whether the funding that Wales will receive to 2024-25 through the Shared Prosperity Fund and the tail-off of remaining EU Structural Funds matches the level of funding that Wales received through Structural Funds while the UK was a member of the EU and any potential Structural Funds that would have been available through the next programme.**
 - 2.1 The Conservative manifesto for the 2017 UK general election first promised a SPF “to reduce inequalities” across the UK.¹⁷ The next manifesto retained the SPF, saying it would “ensure that the people of the UK do not lose out from the withdrawal of EU funding”.¹⁸ The manifesto said the SPF would “**at a minimum match the size of [structural] funds in each nation**” [text emboldened in the manifesto itself].¹⁹
 - 2.2 Including the £47m from the pilot, the SPF spreads £632m for Wales across four years and will not match nominal EU funding levels until 2024–25.²⁰ The Welsh Government believes the SPF needed to be £1.4bn to match previous EU funding rounds.²¹ Moreover, £101m of Wales’s share is pre-allocated to the Multiply programme, further squeezing budgets.
 - 2.3 Citing the Conference of Peripheral Maritime Regions, Cardiff University noted that the UK was due a 22% increase in funding for the 2021–27 phase of structural funds.²² WEFO shares the view that Wales would have received an uplift.²⁴ The current and recent high inflation rates erode the SPF allocations further. The real terms adjustment clarifies the difference between structural funds and the SPF (Welsh Government raised this in October 2022).²⁵
 - 2.4 The £4.8bn Levelling Up Fund (LUF) does not fund RD&I.²⁶ As of March 2023, the BBC reported that over 90% of the LUF is unspent.²⁸ At the end of 2022, the Welsh Government stated that no SPF money had yet been spent.²⁹ The pace of UK Government spending and the failure to devolve replacements means wider budgetary pressures. The Welsh Government believe this to amount to a £1bn cut in its budget.³⁰

3. **Which elements of the two new funds have worked well so far, and which have been less effective. What lessons could be learnt for the future to maximise the impact of the funds.**
 - 3.1 Cardiff Met has not accessed the replacement funds, but there are clear issues. Structural funds were allocated based on GDP per capita relative to EU average; ran across seven-year timeframes; allowed for localised, regional and national projects; and complemented other EU funding streams.³¹ Despite factoring in inequality, the SPF issues annual amounts, expires in 2025 (tied to spending review periods), works on a local authority basis and bears no relation to the LUF prospectus.³² UK ministers will not commit to a future SPF beyond 2025.³³
 - 3.2 There was clear consensus that replacements must protect RD&I, match or exceed past funding levels, safeguard decades of experience in Wales and respect devolution. The range of submissions to the House of Commons Welsh Affairs Committee’s inquiry on the SPF shows the breadth of support for such positions.³⁴
 - 3.3 Indeed, that committee advocated the UK Government: co-create the SPF and agree a memorandum of understanding (MoU) with devolved governments; guarantee no funding cliff edge; match or exceed EU funding levels; and continue with multi-year funding. The UK Government has not taken that approach: there was no co-creation or MoU, funding levels are not equivalent or enhanced and allocations are annual until 2025.
 - 3.4 The Welsh Government and stakeholders, including the OECD, drew on lessons from two decades of structural funds to help shape Wales’s regional development framework.³⁵ Many of the lessons and much of the framework sit in abeyance.

4. What types of intervention are being delivered through the Shared Prosperity Fund, and to what extent do these differ from Structural Funds interventions / Whether the funds are successfully identifying and supporting the communities and areas of Wales that are in greatest need, and how the geographical spread of funding compares to Structural Funds / The extent to which the processes and timescales set by the UK Government for the funds support local authorities and regions to achieve their intended outcomes / How effectively the different levels of governance in Wales are working together in relation to these funds

4.1 Cardiff Met has not accessed the SPF. There will be applications for some discrete projects, but the scarcity of the funding and the set-up which deprioritises RD&I projects severely limits the ambition. Any replacement projects via the SPF are likely to be worth less than £100k to the university over several years, meaning a considerable drain of RD&I and skills.

4.2 Many of Cardiff Met's structural fund projects focused on regional or pan-Wales interventions, but the provision for such projects is absent from the SPF. Only local authorities can apply, creating a risk (which is already materialising) that imminent infrastructure projects are prioritised ahead of RD&I. Moreover, the replacements are competitive and annual, removing the option for long-term strategic investment.³⁶

5. The challenges and opportunities these funding streams provide for bodies such as businesses, colleges, universities and voluntary sector organisations who received Structural Funds.

5.1 HEFCW's latest financial analysis of the sector emphasised the serious impact of losing EU funding. Universities Wales is warning of 1,000 job losses.^{37 38} The failure to associate with Horizon Europe is an extra pressure; Welsh universities received c. €219m in total from the fund's two predecessors.³⁹ However, the UK Government has issued a prospectus for a replacement programme, promising extra research funding in England.⁴⁰ ***The Welsh Government should commit to pass on Pioneer consequential(s), at pace, to HEFCW.***

5.2 The UK Government has taken some positive post-Brexit steps for RD&I e.g., gross spending reaching 2.4% GDP, research bureaucracy reductions and possible changes for coherence and sustainability.^{41 42 43} Most relevant to this inquiry is the aim to increase public RD&I spending by 40% outside England's Greater Southeast.^{44 45}

5.3 The Welsh Government included the 40% target as context for the innovation strategy; the ministerial foreword says bemoaning lost EU funding is not productive, with Wales needing to pivot towards capturing more UKRI funding.⁴⁶ This will require a significant uptick in UKRI grant capture, where Wales consistently falls below a population-equivalent share. Of the total allocated from 2018 to 2021, Wales received 2.6%.⁴⁷ To get near a Barnett share, there needs to be practical steps to support the policy.

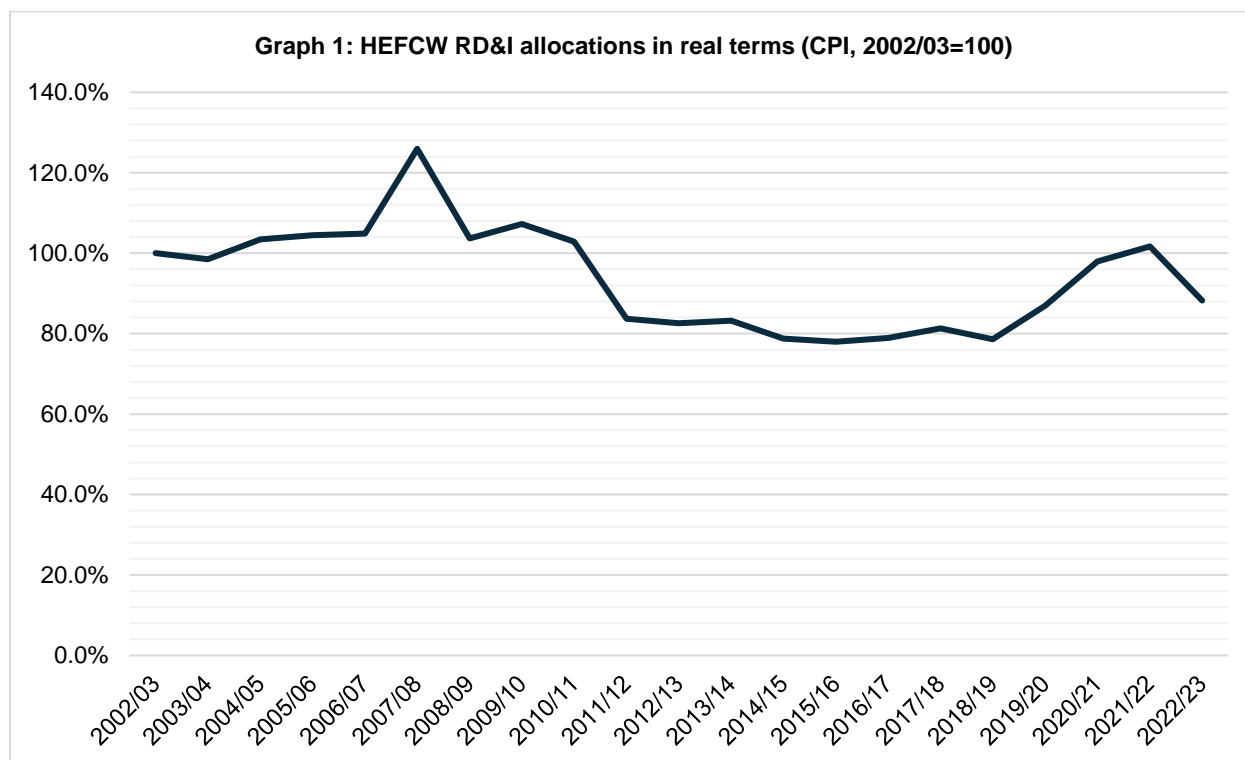
5.4 In April 2023, the UK science minister said the 40% target will be monitored via ONS data.^{48 49}
⁵⁰ The first such data, released later that month, are 2020/21 figures that precede the policy (Wales is second from bottom).⁵¹ We support a proposal, from the Institute of Physics, that the Welsh and UK governments track spend closer to real time.⁵²

5.5 If the UK Government wants to increase RD&I beyond the 'Golden Triangle', and the Welsh Government's strategy is to boost UKRI grant capture, then retrospective data releases are too late to monitor policy. Welsh and UK ministers and civil servants should scrutinise the data jointly and at more regular intervals. ***We recommend that the Welsh Government are asked to clarify whether it has raised such issues with the UK Government and, if it has not, to do so.***

5.6 The UK Government will also set a new stretching target for gross RD&I spend after ONS revisions showed the 2.4% target was achieved (revisions supported by subsequent OECD

work).^{53 54 55} In February 2023, the UK science minister promised a new target “shortly”.⁵⁶ **We ask Welsh Government to seek input into the new target and how it might be best framed to support Welsh RD&I.**

5.7 We also advocate action with the Welsh Government’s powers and budgets. HEFCW’s most recent allocation for RD&I was lower, in real terms, than in 2002/03. The following is based on figures included in HEFCW circulars and uses September CPI from 2002 as the baseline.⁵⁷



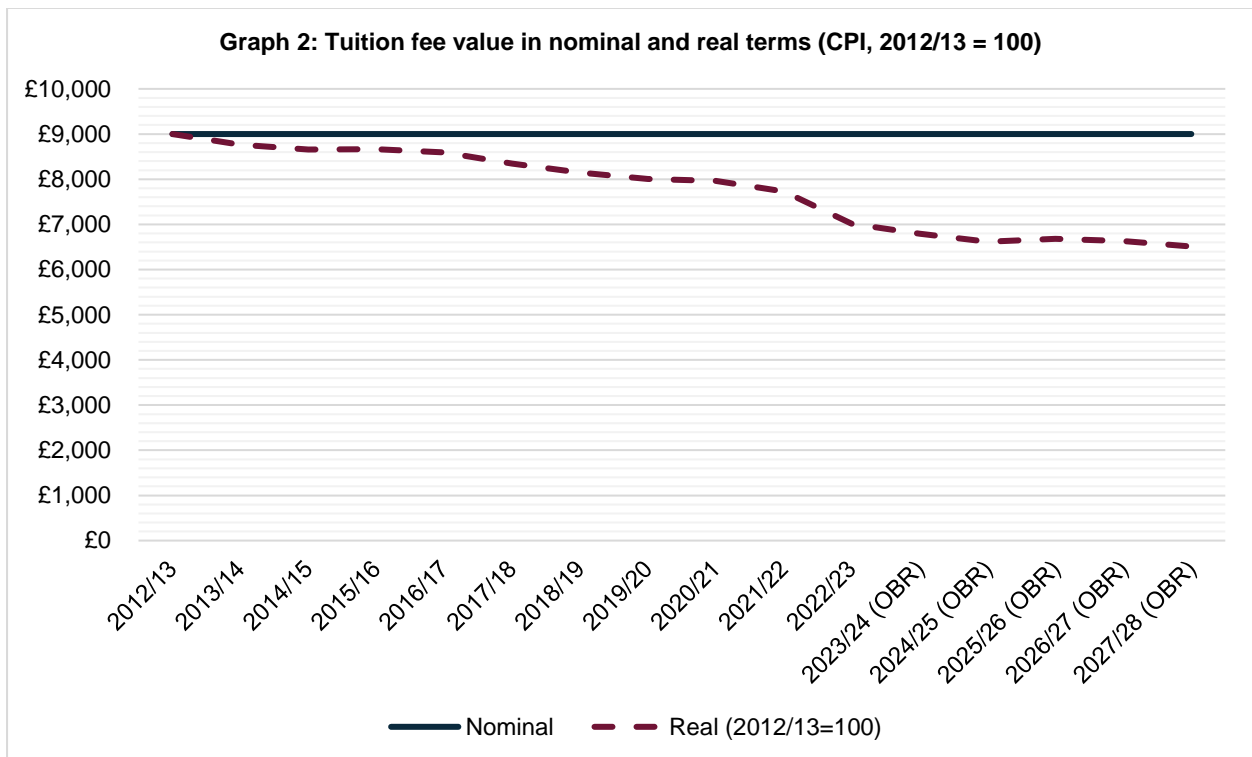
5.8 Wales needs to implement the recommendations of Professor Graeme Reid’s review of publicly funded RD&I.⁵⁸ The inability to finance the Research Wales Innovation Fund (RWIF) at the recommended £25m is a particular problem. Including the 2019/20 pilot, the RWIF shortfall is £52m to date.⁵⁹

University	2019/20 (£m)		2020/21 (£m)		2021/22 (£m)		2022/23 (£m)		Total (£m)	
	Actual	Short	Actual	Short	Actual	Short	Actual	Short	Actual	Short
Aberystwyth	0.7	1.6	1.2	1.7	1.7	1.1	1.7	1.1	5.3	5.6
Bangor	1.1	2.6	1.5	2.1	2.1	1.4	2.0	1.3	6.7	7.4
Cardiff	1.4	3.3	1.9	2.6	2.4	1.6	2.3	1.5	8.0	9.0
Cardiff Met	0.8	1.9	1.0	1.4	1.4	0.9	1.3	0.9	4.5	5.0
Glyndŵr	0.5	1.2	0.6	0.8	1.1	0.7	1.2	0.8	3.4	3.5
OU	0.3	0.7	0.4	0.6	0.5	0.3	0.5	0.3	1.7	1.9
Swansea	1.1	2.6	1.8	2.5	2.7	1.8	2.8	1.9	8.4	8.7
USW	0.7	1.6	0.9	1.2	1.3	0.9	1.2	0.8	4.1	4.5
UWTSD	0.9	2.1	1.2	1.7	1.8	1.2	2.0	1.3	5.9	6.3
Sector	7.5	17.5	10.5	14.5	15	10.0	15	10.0	48.0	52.0

5.9 There is also the absence of the Future of Wales Fund, which would split £30m per annum between universities in proportion to their share of the Welsh sector’s UKRI grant capture, building capacity and rewarding success.

5.10 Calculations from British Heart Foundation Cymru also show Wales’s QR allocation has not kept pace with other UK nations.⁶⁰ **We ask the Welsh Government to increase HEFCW’s funding to allow for further progress towards Reid review spending recommendations and close gaps with UK comparators, with RWIF the immediate priority.**

5.11 It is increasingly difficult to subsidise research via teaching income. The nominal value of the fee has remained £9,000 in Wales, making it worth c. £7,000 now in real terms.⁶¹ Based on OBR inflation forecasts, it could be worth c. £6,500 by September 2027. The following graph uses the ONS measure of September CPI until 2022/23, with OBR projections for Q3 CPI thereafter.^{62 63}



5.12 Sir Paul Nurse’s official RD&I landscape review has asked that the UK Government review QR, competitive funding and full economic costing to address the sustainability of research funding. Any changes arising from such a review would require action by the Welsh Government and HEFCW, since England’s population size and share of RD&I means that UK Government decisions have a major impact on Wales, especially since the Internal Market Act.⁶⁴ **We request that the Welsh Government outline its view on Nurse’s proposed review.**

6. How the Multiply programme is developing across different parts of Wales, and what are the potential barriers and opportunities in relation to delivering this programme.

6.1 Cardiff Met is not participating in Multiply and so cannot comment on its efficacy. However, its funding should not have been top sliced from the SPF (see 2.2). Had the SPF been subject to a full, public consultation, it seems unlikely that stakeholders would have advocated pre-allocation to Multiply.

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² Ibid.

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⁵ House of Commons Levelling Up, Housing and Communities Committee. 2023. [Oral evidence: Intergovernmental Relations, HC 1247](#). London: UK Parliament.

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